

Chapter 21

"The Wealth of Nations": A Natural Law of Economy

(1776)
Adam Smith

Introduction

Adam Smith (1723-1790) was a professor of moral philosophy at the University of Glasgow, but it was as a political economist that he would leave an indelible mark on the history of the modern world. His *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776) has remained one of the enduring masterpieces of economic philosophy. In this work Smith advocated a system of economic policy and activity characterized by a lack of government regulation and predicated on private individuals pursuing their own best interests (specifically the pursuit of profit), or, to put it simply, capitalism. Smith claimed to have discovered the natural law of economy, the "invisible hand" of the market that regulates economic activity; if freed from the constraints of mercantilistic government regulation, a free and competitive market operating under this hidden hand would result in economic growth and greater wealth for society. This excerpt from *The Wealth of Nations* describes the benefits of division of labor (an essential element in mass production) and the efficacy of pursuing natural advantages to a national economy. As one reads this, one might reflect on how such a system of production would affect the artisanal community, with its practice of single workers making a commodity from start to finish.

Questions to Consider

- According to Smith, what are the advantages of mass production?
- How does Smith resolve the problem of the social costs of individuals pursuing their own best interests?

To take an example, therefore, from a very trifling manufacture; but one in which the division of labour has been very often taken notice of, the trade of the pin-maker; a workman not educated to this business (which the division of labour has rendered a distinct trade), nor acquainted with the use of the machinery employed in it (to the invention of which the same division of labour has probably given occasion), could scarce, perhaps, with his utmost industry, make one pin in a day, and certainly could not make twenty. But in the way in which this business is now carried on, not only the whole work is a peculiar trade, but it is divided into a number of branches, of which the greater part are likewise peculiar trades. One man draws out the wire, another straightens it, a third cuts it, a fourth points it, a fifth grinds it at the top for receiving the head; to make the head requires two or three distinct operations; to put it on, is a peculiar business, to whiten the pins is another; it is even a trade by itself to put them into the paper; and the important business of making a pin is, in this manner, divided into about eighteen distinct operations, which, in some manufactories, are all performed by distinct hands, though in others the same man will sometimes perform two or three of them. I have seen a small manufactory of this kind where ten men only were employed, and where some of them consequently performed two or three distinct operations. But though they were very poor, and therefore but indifferently accommodated with the necessary machinery, they could, when they exerted themselves, make among them about twelve pounds of pins in a day. There are in a pound upwards of four thousand pins of a middling size. Those ten persons, therefore, could make among them upwards of forty-eight thousand pins in a day. Each person, therefore, making a tenth part of forty-eight thousand pins, might be considered as making four thousand eight hundred pins in a day. But if they had all wrought separately and independently, and without any of them having been educated to

1 this peculiar business, they certainly could not each of them have made twenty, perhaps not one pin in a
2 day; that is, certainly, not the two hundred and fortieth, perhaps not the four thousand eight hundredth part
3 of what they are at present capable of performing, in consequence of a proper division and combination of
4 their different operations.

5
6 In every other art and manufacture, the effects of the division of labour are similar to what they are in this
7 very trifling one: though, in many of them, the labour can neither be so much subdivided, nor reduced to
8 so great a simplicity of operation. The division of labour, however, so far as it can be introduced,
9 occasions, in every art, a proportionable increase of the productive powers of labour. The separation of
10 different trades and employments from one another, seems to have taken place, in consequence of this
11 advantage. This separation too is generally carried furthest in those countries which enjoy the highest
12 degree of industry and improvement; what is the work of one man in a rude state of society, being
13 generally that of several in an improved one....

14
15 ...As every individual, therefore, endeavours as much as he can both to employ his capital in the support
16 of domestic industry, and so to direct that industry that its produce may be of the greatest value; every
17 individual necessarily labours to render the annual revenue of the society as great as he can. He generally,
18 indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By
19 preferring the support of domestic to that of foreign industry, he intends only his own security; and by
20 directing that industry in such a manner as its produce may be of the greatest value, he intends only his
21 own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was
22 no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his
23 own interest he frequently promotes that of the society more effectually than when he really intends to
24 promote it. I have never known much good done by those who affected to trade for the public good. It is
25 an affectation, indeed, not very common among merchants, and very few words need be employed in
26 dissuading them from it....

27
28 The natural advantages which one country has over another in producing particular commodities are
29 sometimes so great, that it is acknowledged by all the world to be in vain to struggle with them. By means
30 of glasses, hotbeds, and hotwalls, very good grapes can be raised in Scotland, and very good wine too can
31 be made of them at about thirty times the expence for which at least equally good can be brought from
32 foreign countries. Would it be a reasonable law to prohibit the importation of all foreign wines, merely to
33 encourage the making of claret and burgundy in Scotland? But if there would be a manifest absurdity in
34 turning towards any employment, thirty times more of the capital and industry of the country, than would
35 be necessary to purchase from foreign countries an equal quantity of the commodities wanted, there must
36 be an absurdity, though not altogether so glaring, yet exactly of the same kind, in turning towards any
37 such employment a thirtieth, or even a three hundredth part more of either. Whether the advantages which
38 one country has over another, be natural or acquired, is in this respect of no consequence. As long as the
39 one country has those advantages, and the other wants them, it will always be more advantageous for the
40 latter, rather to buy of the former than to make. It is an acquired advantage only, which one artificer has
41 over his neighbour, who exercises another trade; and yet they both find it more advantageous to buy of
42 one another, than to make what does not belong to their particular trades....